

FUNCTION 600: INCOME SECURITY

The income security function contains the: 1) major cash and in-kind means-tested entitlements; 2) general retirement, disability and pension programs excluding Social Security and Veteran's compensation programs; 3) federal and military retirement programs; 4) unemployment compensation; 5) low-income housing programs; and 6) other low-income support programs. Function 600 is the fourth largest functional category after Social Security, defense, and interest on the federal debt.

	(\$ Billions)						
	1999 Actuals	2000	2001	2002	2003	2004	2005
President's Budget:							
Budget authority	238.6	243.6	261.6	276.4	288.0	300.0	313.0
Outlays	237.7	251.3	259.7	275.6	288.4	301.2	314.3
OMB Baseline:							
Budget authority	238.6	241.5	260.9	276.4	288.7	299.3	312.4
Outlays	237.7	249.1	260.5	273.8	286.1	297.3	310.3
Budget compared to OMB Baseline:							
Budget authority	---	2.1	0.7	-0.0	-0.7	0.7	0.5
Outlays	---	2.2	-0.8	1.8	2.3	3.9	4.0

The President's 2001 budget increases BA for income security by \$20 billion over the 2000 baseline level, or 8.3 percent. The President is recommending the following major program changes.

Earned Income Tax Credit

- < The President's major initiative in function 600 is to expand the **Earned Income Tax Credit** (EITC). Although this initiative also affects revenues, the portion of the credit that exceeds an individual's tax liability is recorded as an outlay in function 600. In 1999, the total cost of the program was \$30.5 billion. The President would expand the EITC by:
- S** increasing the maximum credit by \$500 for working families with three or more children;
 - S** increasing the credit for married, two-earner couples;
 - S** lowering the phase-out rate for families with two or more children; and,
 - S** eliminating nontaxable earned income from the calculation of the EITC in order to encourage savings.

- < This expansion of the EITC will cost \$2.3 billion in 2001 and \$21 billion over the next 10 years. With the expansion, over 19 million families will benefit from the EITC, a greater number than will benefit from any other income security program including welfare (3 million families) and food stamps (8.2 million families).

Child Care Initiative

- < Again this year, the President's budget includes a child care initiative to aid low-income families with child care expenses. This initiative is split between function 600 and Revenues. Major components of this initiative include:
 - S** an increase in the discretionary **Child Care and Development Block Grant** of \$817 million to \$2 billion in 2001 (function 600);
 - S** the creation of a new \$600 million per year entitlement, the **Early Learning Fund**, to improve the quality and safety of early child care centers (function 600);
 - S** an increase in the amount of the **child and dependent care tax credit** and making the credit refundable beginning in 2003 (see Revenues).

Welfare Reform

- < The President proposes only two changes this year to the mandatory **Temporary Assistance for Needy Families** (TANF) block grant. He proposes to freeze the Supplemental Grants for Population Increases at the 1998 level, saving \$240 million in 2001. The second change would allow states to use TANF funds to offset the proposed reduction in Medicaid administrative payments.

Child Support Enforcement Savings

- < The President proposes a number of changes to the mandatory **Child Support Enforcement** program. Most significantly, the budget would allow states to simplify the rules for distributing child support collections to former TANF recipients. This change would cost \$396 million over 5 years. The budget also includes a number of measures to reduce federal expenses including requiring states to review and adjust child support orders for TANF families every three years. If all of the changes were enacted, federal savings would be \$2 million in 2001 and \$141 million over five years.

Other Low-Income Assistance Programs

- < In 2001, the President estimates that the mandatory **Food Stamp** program will cost \$22.1 billion, an increase of 4.9 percent over 2000. The President proposes to restore food stamp benefits to certain legal immigrants, and to provide states with the flexibility to conform certain

food stamp and welfare eligibility rules. These changes would cost \$24 million in 2001 and \$1.1 billion over the next five years.

- < The President's budget increases funding for the discretionary Special Supplemental Food Program for **Women, Infants, and Children (WIC)** by \$35 million, or 2.8 percent, to \$4.1 billion in 2001. The President proposes to level fund this program for 2002-2003.
- < The Administration proposes an advance appropriation of \$1.1 billion for the **Low-Income Home Energy Assistance Program (LIHEAP)** in 2002. Although the Congress has already provided a \$1.1 billion advance appropriation for 2001, the budget requests an additional \$300 million in contingent emergency funds for 2001.

Supplemental Security Income

- < The President proposes to repeal a provision of the Balanced Budget Act of 1997 that shifted the last **supplemental security income** benefit payment for 2000 into 2001. If enacted, this proposal would increase 2000 budget authority and outlays by \$2.2 billion and reduce 2001 budget authority and outlays by the same amount.

Housing Assistance

- < To **renew 2.6 million section 8 contracts** that will expire in 2001, the budget reflects a total budget authority requirement of \$14.1 billion (which includes \$1.3 billion of recoveries from previous years and \$4.2 billion provided as an advance appropriation in the 2000 appropriations bill) for the **Housing Certificate Fund** of the Department of Housing and Urban Development (HUD). The budget also perpetuates the advance appropriation provided in 2001 by requesting \$4.2 billion as an advance for 2002.
- < The Administration's request for years after 2001, however, appears to continue its practice of recent years of requesting far less than is necessary to continue renewing all expiring contracts each year. But the Administration, in proposing to extend the caps on discretionary spending from 2002 to 2010, is contemplating a new technical cap adjustment for section 8 contract renewals: when the Congress appropriates sufficient funds to renew expiring contracts, the caps would then be adjusted. Such funds are not reflected in the President's new caps in advance to prevent them from being spent on something else. This approach means, however, that the amounts associated with the contract renewals are not reflected anywhere in the President's budget totals.
- < The budget proposes to increase other major programs in HUD by a total of \$0.5 billion over the 2000 level, including public housing capital and operating funds, HOPE VI, homeless assistance grants, housing for special populations, and the HOME program.

Federal Employees

- < The budget proposes **a federal pay raise** of 3.7 percent in 2001 and would allow government workers to use pretax dollars to pay for their health insurance premiums.
- < The budget also would repeal a Balanced Budget Act of 1997 provision that temporarily increases **federal employee retirement contributions** by 0.5 percent. Enacting this provision would reduce revenues by \$1.2 billion over the next 3 years.

